

Corporate Planning & Financial Services Report to
Executive Committee
2025 January 21

ISC: UNRESTRICTED
EC2025-0015

ENMAX 2025 Borrowing Request

PURPOSE

The purpose of this report is to seek Council approval of proposed borrowing Bylaws 1B2025, 2B2025, 3B2025 and 4B2025 and loan Bylaw 4M2025. If approved, these bylaws will allow The City to provide financing to support ENMAX Corporation's ("**ENMAX**") 2025 capital spending for its regulated operations as more fully described in this report.

PREVIOUS COUNCIL DIRECTION

Annually, The City of Calgary ("**The City**") receives a request from ENMAX to provide financing to support ENMAX's capital spending programs related to its regulated operations. Borrowing/on-lending in recent years is summarized in the Discussion section below.

RECOMMENDATIONS:

That the Executive Committee:

1. Forward this report to the 2025 January 28 Regular Meeting of Council.

That the Executive Committee recommend Council:

2. Give first reading to proposed Bylaws 1B2025, 2B2025, 3B2025, 4B2025, authorizing The City to borrow up to the maximum sum of \$224.984 million for financing ENMAX's 2025 capital spending, as further defined by the proposed Bylaws attached to this report and summarized as:
 - a. 1B2025 – 5 Years - \$36.561 million – Acquisition of Technology and Support Services;
 - b. 2B2025 – 10 Years - \$7.806 million – Acquisition of Fleet Equipment and Capital Tools;
 - c. 3B2025 – 20 Years - \$7.389 million – Non-Residential Development;
 - d. 4B2025 – 25 Years - \$173.228 million – Electric System and Building Improvements;
3. Give first reading to proposed Bylaw 4M2025 – Authorizing Municipal Loans to ENMAX up to the maximum sum of \$224.984 million to fund ENMAX's 2025 capital spending in connection with its regulated operations;
4. Withhold second and third reading of all proposed Bylaws until the advertising requirements have been met; and
5. Should the proposed Bylaws be fully approved by Council, direct Administration to amend any existing agreements between The City and ENMAX, as applicable, and in accordance with the Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

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CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

Les Tochor, Acting Chief Financial Officer and Acting General Manager of Corporate Planning and Financial Services concurs with this report.

HIGHLIGHTS

- As a wholly owned subsidiary of The City, ENMAX may borrow from The City to finance the capital spending associated with its regulated operations. ENMAX's capital projects are carried out by its subsidiary, ENMAX Power Corporation.
- The terms and conditions of this borrowing are outlined in the Amended and Restated Credit Agreement dated 2023 December 14, as subsequently amended, entered into between The City and ENMAX, the ("**Credit Agreement**").
- Council has reviewed the 2025 Business Plan and Budget for ENMAX, and the Bylaws are to accommodate ENMAX's funding request for 2025 June 16.
- ***What does this mean to Calgarians? Why does this matter?***
These additional borrowings are intended to provide lower cost of borrowing to ENMAX, ultimately resulting in lower utility service costs for Calgarians.

DISCUSSION

- Annually, The City seeks authority from Council to borrow and to loan the borrowed funds to ENMAX to fund ENMAX's capital spending programs related to its regulated operations for the current year;
- Prior to implementation of the Corporate Borrowing Strategy in 2023, The City financed the borrowings for ENMAX through the Government of Alberta. Beginning in 2024 The City directly financed ENMAX's borrowing from internal funds held by The City. For the proposed borrowings, it is anticipated The City will also directly finance ENMAX's borrowings from internal funds held by The City. As per the Corporate Borrowing Strategy, the internal funds will be replenished on an as-needed basis through borrowing from the Government of Alberta or other lenders, and/or through the issuance of debt in the capital markets or private placements as appropriate in accordance with Bylaw 10B2023 (approved by Council on 2023 October 17) and under The City's debt capital markets and private placement program.
- Pursuant to The City's current Council approved Debt Policy (CP2020-05) ENMAX's debt is excluded from The City's debt limit calculation;
- ENMAX generally targets June 15 annually for funding its drawdown request. This year the funding may be as early as 2025 May 30 due to the recent change by the Province of Alberta to fund loans at the end of each month instead of quarterly, mid month;

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- Recent and anticipated borrowings are summarized as follows:

Term (Years)	General Descriptions** (\$ millions)	YoY%Δ	2025 *	2024	2023
5	Acquisition of Technology and Support Services	16.1%	\$36.561	\$31.485	\$21.174
10	Acquisition of Fleet Equipment and Capital Tools	26.6%	\$7.806	\$6.166	\$5.353
20	Non-Residential Development	31.7%	\$7.389	\$5.611	\$9.743
25	Electric System and Building Improvements	-8.8%	\$173.228	\$188.477	\$167.907
Annual Loan Amount:		-3.0%	\$224.984	\$231.739	\$204.177

* \$ amounts subject to decreases associated with final notice of drawdown expected to be submitted by ENMAX on or before 2025 April 17;

** Descriptions subject to changes due to specific descriptions of related borrowings;

As at 2024 December 31, The City maintained approximately \$1.9 billion in debentures on behalf of ENMAX at a weighted average interest rate of 3.896 per cent per year (not including The City's Administration Fee), with initial terms ranging between 5 years and 25 years.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input checked="" type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

The City and ENMAX have discussed this report and ENMAX has reviewed and concurs with the contents of the report. ENMAX representatives will be in attendance for this item at Executive Committee.

IMPLICATIONS

Social

Not Applicable

Environmental

Not Applicable

Economic

Not Applicable

Service and Financial Implications

\$224.984 million

Self – Supported funding

No financial implications other than 0.25 per cent per annum Administration Fee charged by The City.

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RISK

Risks associated with the ENMAX borrowings are managed by the terms and conditions outlined in the Credit Agreement. Included in these terms and conditions are various commitments made by ENMAX which provide The City with the information it needs to understand and assess this risk.

Notable commitments include:

- **Financial Reporting:** consolidated financial statements are provided by ENMAX quarterly which supports The City's ability to review and assess ENMAX's financial status and key operational development on a timely basis (this includes audited annual statements); and
- **Compliance Certificate:** compliance certificates are prepared and submitted by ENMAX to The City quarterly (executed by a duly appointed and authorized officer of ENMAX), confirming ENMAX's compliance with all material terms and conditions of the Credit Agreement and confirming that no Events of Default have occurred.

In addition to helping manage risk, these features of the Credit Agreement also promote a collaborative working relationship with ENMAX by helping to manage expectations between both parties.

Relevant items identified in the most recent financial review from ENMAX's three external rating agencies:

- On 2024 May 16 Fitch Ratings affirmed ENMAX's credit rating of BBB with a stable outlook reflective of a stable and low risk business mix.
- On 2024 July 5 DBRS Morningstar confirmed their rating of ENMAX at BBB (high) with a stable outlook.
- On 2024 September 27 S&P Global Ratings maintained ENMAX's credit rating of BBB- (but revised the Outlook to Positive from Stable). According to S&P, this was due to recognition that ENMAX's *"financial measures have steadily improved over the last few quarters"*.

These and other financial metrics are reviewed by The City quarterly with the receipt of the financial reporting referenced above.

ATTACHMENTS

1. Proposed Bylaw 1B2025
2. Proposed Bylaw 2B2025
3. Proposed Bylaw 3B2025
4. Proposed Bylaw 4B2025
5. Proposed Bylaw 4M2025
6. Key Metrics Summary

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Department Circulation

Acting General Manager/Director	Department	Approve/Consult/Inform
Les Tochor	Corporate Planning & Financial Services	Approve

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